

# CDCI ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Freedom First Federal Credit Union

Point of Contact:	Mr. David Prosser	RSSD: (For Bank Holding Companies)	596286
UST Sequence Number:	1443	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	9,278,000	FDIC Certificate Number: (For Depository Institutions)	
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	11111
Date Funded (first funding):	September 29, 2010	City:	Roanoke
Date Repaid <sup>1</sup> :	N/A	State:	Virginia

<sup>1</sup>If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

**What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).**

☒ **Increase lending or reduce lending less than otherwise would have occurred.**

Overall loans decreased in the 4th quarter of 2010 as a result of strategic planning to sell low-rate first mortgage loans, although Impact Banking products (loan products designed for our low-income/low- or no-credit target market) collectively increased during the same time period.

☒ **To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).**

The CDCI capital funds allowed our CDFI Credit Union to continue or increase our personal lending to the low-income and no-credit/credit-challenged individuals in our community. Please see the comments below for more detail.

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☐ Increase securities purchased (ABS, MBS, etc.).

☐ Make other investments.

☒ Increase reserves for non-performing assets.

The 4th-quarter reserves for losses of credit products were funded through current expense. The amount funded was over \$792,000.

☒ Reduce borrowings.

Two Federal Home Loan Bank (FHLB) loans totalling \$4.5 million were retired ahead of maturity.

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☐ Increase charge-offs.

☐ Purchase another financial institution or purchase assets from another financial institution.

☒ Held as non-leveraged increase to total capital.

\$9,278,000 qualified by regulation as an unappropriated component of net worth.

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### What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

While our Credit Union did not avoid any potential impending actions, this infusion of secondary capital enabled us to expand our services to our low-income target market in the short term and allowed us to immediately begin planning how successful loan and financial education programs would grow and how new loan and financial education programs would be developed and implemented in the future to address unmet needs in our market and increase our positive impact in our community.

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### What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

The following actions were taken with the infusion of CDCI funds in the last quarter of 2010:(1) The continuation and increase of our Impact Banking products and services offered to our low-income and no-credit/low-credit target market, specifically the continuation and growth of our Payday Alternative Loan program (PALs), our Micro-Loan program (unsecured loans for less than \$3k), Credit Builder Loans, Responsible Rides Program (low-income auto ownership program) and our Financial Education programs (community-based and nonprofit-based financial education).(2) The CDCI secondary capital funds provided capital support when the Allowance for Loan Loss required funding for the above-mentioned community development credit services.(3) The complete restructuring/creation of a comprehensive strategic plan to determine the growth of our community development and affordable housing activities to be implemented over the next 8 years.(4) The 2011 budget was created and finalized to include:(a) 13 new full-time positions that increase our annual budget by an estimated \$670,000. All of these positions will be involved in community development activities that allow us to grow our provision of products and services to our low-income target market.(b) Direct investments in community development collaborative projects expected to be \$2.5 million by the end of 2011.(c) A \$1.2 million renovation and expansion of the current operations center of the Credit Union to allow for the staffing growth mentioned above.(d) A commitment to invest in the marketing studies and creation of Business Services Department specifically to nonprofit organizations in our community.(e) A commitment to the planning and eventual building of a micro-branch of the Credit Union in an underserved low-income community in our membership area and to hire and train staff from the neighborhood it is located in.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.